

WINTERSET COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2011

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Winterset Community School District
Board of Education and School District Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Jeff Nicholl	President	2013
Michael Motsinger	Vice-President	2011
Brenda Clifton	Board Member	2011
Shane Pashek	Board Member	2011
Karen Blookhart	Board Member	2013
School District Officials		
Mike Wells	Superintendent	2011
Cammy Leners	Business Manager/Board Secretary	2011
Ahlers Law Firm	Attorney	Indefinite



Independent Auditor's Report

To the Board of Education of
Winterset Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Winterset Community School District, Winterset, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Winterset Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2011 on our consideration of Winterset Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Schedule of Funding Progress for the Retiree Health Plan and Budgetary Comparison Information on pages 5 through 13 and 43 through 45 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Winterset Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 and we audited the financial statements for the year ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 11, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Van Maanen, Sietstra & Meyer, PC

Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

November 21, 2011

The Winterset Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 Financial Highlights

- General Fund revenues increased from \$15,521,980 in fiscal 2010 to \$17,192,196 in fiscal 2011, while General Fund expenditures decreased from \$16,023,620 in fiscal 2010 to \$15,778,321 in fiscal 2011. This resulted in an increase of \$1,413,875 in the District's General Fund balance from -\$2,128,393 in fiscal 2010 to -\$714,518 in fiscal 2011.
- The increase in General Fund revenues was attributable to higher tax revenue (\$2.47 rate increase as well as a 3% increase in property valuations) and new revenue sources including Federal Education Jobs funds and a State of Iowa Preschool Grant.
- The decrease in General Fund expenditures of 1.5% was attributable to staff reductions, limiting salary increases to movement only and implementation of a line item budget for general fund expenditures. The District will continue to strictly monitor spending as it continues to improve its' financial position.
- Certified enrollment increased by 12 students. This continues the trend of slow, controlled growth.

Using This Annual Report

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Winterset Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Winterset Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Winterset Community School District acts solely as an agent or custodian for the benefit of those outside of the District.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

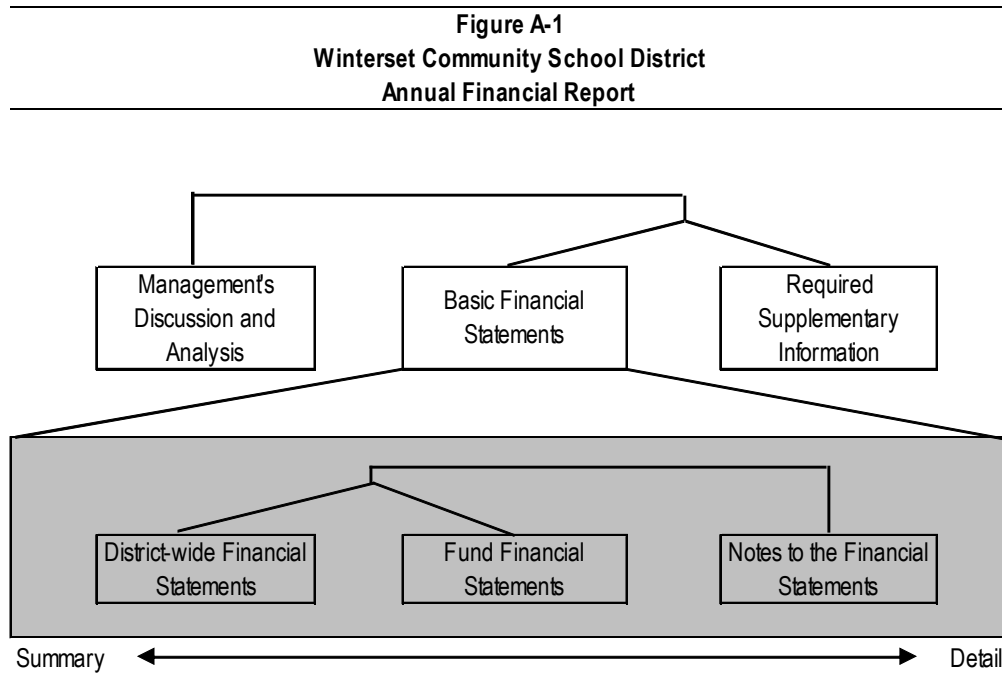


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as the special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of net assets * Statement of revenues, expenses and changes in fund net assets * Statement of cash flows	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year; or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid
Common names of district funds included	All funds with the exception of scholarship funds	General, PPEL, Management, Student Activity, Debt Service, Capital Projects	Nutrition Fund, Student Construction	Special Projects

Reporting the District's Financial Activities

Government-wide Financial Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two Government-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- ◆ *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- ◆ *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and student construction are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- ◆ Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.

The District's governmental funds include the General Fund, Debt Service Fund, Capital Projects Funds, and Special Revenue Funds.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- ◆ Proprietary Funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the School Construction Fund. The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.
- ◆ Fiduciary Funds: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-purpose Trust and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund. There are currently 10 scholarship trust funds: V Smith, Harpole, Hendricks, Keul, Ridout, See, Waddingham, Dorrell, Cooper and McGuiness .
- Agency Fund- These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District organizations and related expenditures.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Government-wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2011 compared to June 30, 2010.

Figure A-3							
Condensed Statement of Net Assets							
	Governmental Activities		Business type activities		Total		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current assets	\$ 14,360,281	18,636,981	229,907	174,886	14,590,188	18,811,867	-22.4%
Noncurrent assets	24,180,350	20,117,515	11,882	14,164	24,192,232	20,131,679	20.2%
Total assets	38,540,631	38,754,496	241,789	189,050	38,782,420	38,943,546	-0.4%
Current liabilities	10,921,887	12,285,078	13,675	15,179	10,935,562	12,300,257	-11.1%
Noncurrent liabilities	17,888,558	18,514,518	-	-	17,888,558	18,514,518	-3.4%
Total liabilities	28,810,445	30,799,596	13,675	15,179	28,824,120	30,814,775	-6.5%
Net assets:							
Invested in capital assets, net of related debt	9,469,598	8,330,489	11,882	14,164	9,481,480	8,344,653	13.6%
Restricted	1,850,453	2,643,560	-	-	1,850,453	2,643,560	-30.0%
Unrestricted	(1,589,865)	(3,019,149)	216,232	159,707	(1,373,633)	(2,859,442)	50.0%
Total net assets	\$ 9,730,186	7,954,900	228,114	173,871	9,958,300	8,128,771	22.5%

The District's combined net assets increased by 22.5% or \$1,829,529, over the prior year. The largest portion of the district's net assets is invested in capital assets (e.g. land infrastructure, buildings and equipment), less the related debt. The debt related to the invested in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets decreased \$793,107 or 30% over the prior year.

**Winterset Community School District
Management's Discussion and Analysis
June 30, 2011**

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$1,485,809 or 50%. This increase in unrestricted net assets was primarily a result of an increase in the General Fund balance.

Figure A-4 shows the change in net assets for the year ended June 30, 2011 as compared to June 30, 2010.

Figure A-4 Changes in Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	Year ended June 30,		Year ended June 30,		Year ended June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues:							
Program revenues:							
Charges for service	\$ 922,136	951,669	520,495	378,475	1,442,631	1,330,144	8.5%
Operating grants, contributions and restricted interest	2,865,685	3,303,748	365,963	353,519	3,231,648	3,657,267	-11.6%
General revenues:							
Property tax	7,925,663	6,829,647	-	-	7,925,663	6,829,647	16.0%
Statewide sales and service tax	1,121,568	1,056,141	-	-	1,121,568	1,056,141	6.2%
Unrestricted state grants	7,218,255	6,150,070	-	-	7,218,255	6,150,070	17.4%
Unrestricted investment earnings	109,425	302,511	-	-	109,425	302,511	-63.8%
Other	98,062	49,378	202	881	98,264	50,259	95.5%
Total revenues	20,260,794	18,643,164	886,660	732,875	21,147,454	19,376,039	9.1%
Program expenses:							
Governmental activities:							
Instruction	11,477,140	11,439,232	136,417	-	11,613,557	11,439,232	1.5%
Support services	4,788,752	5,248,100	-	-	4,788,752	5,248,100	-8.8%
Non-instructional programs	-	13,714	696,000	692,109	696,000	705,823	-1.4%
Other expenses	2,198,992	2,428,966	-	-	2,198,992	2,428,966	-9.5%
Total expenses	18,464,884	19,130,012	832,417	692,109	19,297,301	19,822,121	-2.6%
Change in net assets	\$ 1,795,910	(486,848)	54,243	40,766	1,850,153	(446,082)	514.8%

In fiscal 2011, property tax, statewide sales, services and use tax, and unrestricted state grants account for 80% of the total revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.9% of the revenue from business type activities.

The District's total revenues were \$21,147,454, of which \$20,260,794 was for governmental activities and \$886,660 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 9.1% increase in revenues and a 2.6% decrease in expenses. Property tax revenues increased 16% to improve the fund balance. The decrease in expenses was related to staff reductions, minimal increases in negotiated salary and benefits, and implementation of a line item budget for all expenditures.

Governmental Activities

Revenues for governmental activities were \$20,260,794 and expenses were \$18,464,884.

The following table in Figure A-5 presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5 Total and Net Cost of Governmental Activities						
	Total Cost of Services		Change	Net Cost of Services		Change
	2011	2010	2010-2011	2011	2010	2010-2011
Instruction	\$ 11,477,140	11,439,232	0.3%	8,369,090	7,928,114	5.6%
Support services	4,788,752	5,248,213	-8.8%	4,778,508	5,167,603	-7.5%
Noninstructional programs	-	13,714	-100.0%	-	13,714	-100.0%
Other expenses	2,198,992	2,428,966	-9.5%	1,529,465	1,765,277	-13.4%
Totals	\$ 18,464,884	19,130,125	-3.5%	14,677,063	14,874,708	-1.3%

- The cost financed by users of the District's programs was \$922,136.
- Federal and state government subsidized certain programs with grants and capital contributions totaling \$2,865,685.
- The net cost of governmental activities was financed with \$7,925,663 in local tax, \$1,121,568 in statewide sales, services and use tax, \$7,218,255 in unrestricted state grants, \$109,425 in interest income and \$98,062 in other general revenues.

Business Type Activities

Revenues for business type activities were \$886,660 and expenses were \$832,417. The District's business type activities include the School Nutrition and Student Construction Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Winterset Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its government funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$4,352,685, compared to last year's ending fund balances of \$7,126,160. However, the primary reason for the decrease in combined fund balances in fiscal 2011 is due to construction expenditures exceeding revenues in Capital funds. Revenues to support construction were recorded in FY10 with the sale of Revenue Bonds.

Governmental Fund Highlights

- The District's increase in its General Fund financial position from a deficit \$2,128,393 to a deficit \$714,518 is the product of many factors. Revenues increased due to increased property taxes, Education Jobs funding, State Preschool grant and other additional grants. The District's decrease in General Fund expenditures was primarily due to staff reductions, minimal salary and benefit increases and implementation of a tight line item budget for all expenditures.
- Capital Projects Fund balance decreased from \$8,421,109 in fiscal 2010 to \$4,051,449 in fiscal 2011 due to construction expenditures. General Obligation and Revenue Bonds to fund construction were issued in prior fiscal years.
- Nonspendable net assets are assets not in spendable form and not expected to be converted to cash. The District's nonspendable net assets consist of four residential building lots purchased for student construction but not restricted to that purpose.

Proprietary Fund Highlights

The Proprietary Fund net assets increased from \$173,871 at June 30, 2010 to \$228,114 at June 30, 2011, representing an increase of 31.2%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$122,811 less than budgeted revenues, a variance of 0.6%.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$23,980,489, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 20.5% from last year. More detailed information about the District's capital assets is presented in the notes to the financial statements. Depreciation expense for the year was \$547,049.

The original cost of the District's capital assets was \$33.36 million. Governmental funds account for \$33,091,653 with the remainder of \$265,276 in the Proprietary, School Nutrition Fund.

The largest change in capital assets activity during the year occurred in the construction in progress and buildings. The District's construction in progress totaled \$13,146,282 at June 30, 2011, compared to \$10,919,630 at June 30, 2010. This significant increase resulted from construction activity financed by the issuance of voter approved general obligation bonds for the construction of a new middle school and from construction activity at the High School financed by the issuance of school infrastructure sales, service and use tax revenue bonds. The District's buildings totaled \$14,686,329 at June 30, 2011, compared to \$12,441,947 at June 30, 2010. This significant change was due to an addition at the Elementary School financed by the issuance of school infrastructure sales, service and use tax revenue bonds.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$ 457,901	457,901	-	-	457,901	457,901	0.0%
Construction in progress	13,146,282	10,919,630	-	-	13,146,282	10,919,630	20.4%
Buildings	8,756,451	6,802,017	-	-	8,756,451	6,802,017	28.7%
Improvements other than buildings	1,116,453	1,209,214	-	-	1,116,453	1,209,214	-7.7%
Furniture and equipment	491,522	505,249	11,881	14,164	503,403	519,413	-3.1%
Totals	\$ 23,968,609	19,894,011	11,881	14,164	23,980,490	19,908,175	20.5%

Long Term Debt

At June 30, 2011, the District has \$18,594,193 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 2.2% percent from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in the notes to the financial statements.

As of June 30, 2011, the District had outstanding general obligation bonds of \$11,310,000, outstanding revenue bonds of \$6,325,000, outstanding early retirement benefits of \$382,809 payable from the Special Revenue, Management Fund, outstanding compensated absences of \$85,384 payable from the General Fund and a net OPEB liability of \$491,000.

Figure A-7			
Outstanding Long-Term Obligations			
	June 30,		Change
	2011	2010	2010-2011
General obligation bonds	\$ 11,310,000	11,760,000	-3.8%
Revenue bonds	6,325,000	6,325,000	0.0%
Early retirement	382,809	418,023	-8.4%
Compensated absences	85,384	100,620	-15.1%
Other postemployment benefits	491,000	408,000	100.0%
Totals	\$ 18,594,193	19,011,643	-2.2%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances which may affect financial health in the future:

- Every year the District negotiates new agreements with the Winterset Community Education Association (WCEA) for teachers and the Winterset Educational Support Employees Association (WESEA) for support personnel. Any settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- The Iowa legislature set allowable growth for FY12 at 0% and FY13 at 2%.
- Carryover of prior year Federal Education Jobs monies will be expended in FY12. The District will be challenged to support positions paid with the onetime funding source.
- Moody's Investors Service downgraded to A2 from A1 the rating on Winterset Community school District (IA) general obligation bonds, affecting \$11.3 million of outstanding debt.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Cammy Leners, Business Manager/Board Secretary, Winterset Community School District, 110 W. Washington, P.O. Box 30, Winterset, Iowa, 50273-0030.

Basic Financial Statements

Winterset Community School District
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 5,407,593	205,374	5,612,967
Receivables:			
Property tax:			
Delinquent	107,856	-	107,856
Succeeding year	7,627,943	-	7,627,943
Income surtax	308,935	-	308,935
Accounts	41,159	16,335	57,494
Due from other governments	811,995	-	811,995
Inventories	54,800	8,199	62,999
Total current assets	14,360,281	229,908	14,590,189
Noncurrent assets:			
Deferred bond costs	211,741	-	211,741
Capital assets, net of accumulated depreciation	23,968,609	11,881	23,980,490
Total capital assets	23,968,609	11,881	23,980,490
Total noncurrent assets	24,180,350	11,881	24,192,231
Total assets	\$ 38,540,631	241,789	38,782,420
Liabilities			
Current liabilities:			
Accounts payable	\$ 275,229	108	275,337
Salaries and benefits payable	1,533,335	-	1,533,335
Accrued interest payable	202,087	-	202,087
Unearned revenue:			
Succeeding year property tax	7,627,943	-	7,627,943
Income surtax	308,935	-	308,935
Other	215,334	13,567	228,901
Revenue bonds payable	120,000	-	120,000
General obligation bonds payable	460,000	-	460,000
Compensated absences	85,384	-	85,384
Early retirement	93,640	-	93,640
Total current liabilities	10,921,887	13,675	10,935,562
Noncurrent liabilities:			
General obligation bonds payable	10,850,000	-	10,850,000
Revenue bonds payable	6,205,000	-	6,205,000
Early retirement	289,169	-	289,169
Bond premium	53,389	-	53,389
Other post employment benefits	491,000	-	491,000
Total noncurrent liabilities	17,888,558	-	17,888,558
Total liabilities	28,810,445	13,675	28,824,120

Exhibit A

Winterset Community School District
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business Type Activities	Total
Net assets			
Invested in capital assets, net of related debt	9,469,598	11,881	9,481,479
Restricted for:			
Management levy purposes	199,517	-	199,517
Physical plant and equipment	57,724	-	57,724
Student activities	212,707	-	212,707
School infrastructure	281,616	-	281,616
Debt service	922,763	-	922,763
Categorical funding	176,126	-	176,126
Unrestricted	(1,589,865)	216,233	(1,373,632)
Total net assets	9,730,186	228,114	9,958,300
Total liabilities and net assets	\$ 38,540,631	241,789	38,782,420

See notes to financial statements.

Winterset Community School District
Statement of Activities
Year Ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction:						
Regular	\$ 7,446,362	488,740	1,692,673	(5,264,949)	-	(5,264,949)
Special	2,762,173	152,690	475,866	(2,133,617)	-	(2,133,617)
Other	1,268,605	273,315	24,766	(970,524)	-	(970,524)
	<u>11,477,140</u>	<u>914,745</u>	<u>2,193,305</u>	<u>(8,369,090)</u>	<u>-</u>	<u>(8,369,090)</u>
Support Service:						
Student	542,171	-	-	(542,171)	-	(542,171)
Instructional staff	617,784	-	-	(617,784)	-	(617,784)
Administration	1,449,052	-	-	(1,449,052)	-	(1,449,052)
Operating and maintenance of plant	1,463,974	7,391	-	(1,456,583)	-	(1,456,583)
Transportation	715,771	-	2,853	(712,918)	-	(712,918)
	<u>4,788,752</u>	<u>7,391</u>	<u>2,853</u>	<u>(4,778,508)</u>	<u>-</u>	<u>(4,778,508)</u>
Other expenditures:						
Facilities acquisition	802,207	-	-	(802,207)	-	(802,207)
Long-term debt interest	727,258	-	-	(727,258)	-	(727,258)
AEA flowthrough	669,527	-	669,527	-	-	-
	<u>2,198,992</u>	<u>-</u>	<u>669,527</u>	<u>(1,529,465)</u>	<u>-</u>	<u>(1,529,465)</u>
Total governmental activities	<u>18,464,884</u>	<u>922,136</u>	<u>2,865,685</u>	<u>(14,677,063)</u>	<u>-</u>	<u>(14,677,063)</u>
Business type activities:						
Instructional programs						
Student construction services	136,417	136,417	-	-	-	-
Non-instructional programs:						
Nutrition services	696,000	384,078	365,963	-	54,041	54,041
Total business type activities	<u>832,417</u>	<u>520,495</u>	<u>365,963</u>	<u>-</u>	<u>54,041</u>	<u>54,041</u>
Total primary government	<u>\$ 19,297,301</u>	<u>1,442,631</u>	<u>3,231,648</u>	<u>(14,677,063)</u>	<u>54,041</u>	<u>(14,623,022)</u>

Winterset Community School District
Statement of Activities
Year Ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Totals continued from previous pages	\$ 19,297,301	1,442,631	3,231,648	(14,677,063)	54,041	(14,623,022)
General Revenues:						
Property tax levied for:						
General purposes				6,865,615	-	6,865,615
Debt service				929,353	-	929,353
Capital outlay				130,695	-	130,695
Statewide sales and services tax				1,121,568	-	1,121,568
Unrestricted state grants				7,218,255	-	7,218,255
Unrestricted investment earnings				109,425	-	109,425
Contributions not restricted to specific programs				91,178	-	91,178
Other				6,884	202	7,086
Total general revenues				16,472,973	202	16,473,175
Change in net assets				1,795,910	54,243	1,850,153
Net assets beginning of year, as restated				7,934,276	173,871	8,108,147
Net assets end of year				\$ 9,730,186	228,114	9,958,300

See notes to financial statements.

Winterset Community School District
Balance Sheet
Governmental Funds
June 30, 2011

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Assets					
Cash and pooled investments	\$ 791,376	590,734	3,579,169	446,314	5,407,593
Receivables:					
Property tax:					
Current year delinquent	86,108	12,796	1,799	7,153	107,856
Succeeding year	5,776,221	921,058	135,772	794,892	7,627,943
Income surtax	308,935	-	-	-	308,935
Accounts	34,912	-	-	6,247	41,159
Due from other funds	245	-	-	-	245
Due from other governments	226,272	-	585,723	-	811,995
Residential building lots	-	-	54,800	-	54,800
Total assets	\$ 7,224,069	1,524,588	4,357,263	1,254,606	14,360,526
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 104,762	-	170,042	425	275,229
Salaries and benefits payable	1,533,335	-	-	-	1,533,335
Due to other funds	-	-	-	245	245
Early retirement payable	-	-	-	46,820	46,820
Deferred revenue:					
Succeeding year property tax	5,776,221	921,058	135,772	794,892	7,627,943
Income surtax	308,935	-	-	-	308,935
Other	215,334	-	-	-	215,334
Total liabilities	7,938,587	921,058	305,814	842,382	10,007,841
Fund balances:					
Nonspendable for:					
Inventory	-	-	54,800	-	54,800
Restricted for:					
Categorical funding	176,126	-	-	-	176,126
Debt service	-	603,530	521,320	-	1,124,850
Management levy purposes	-	-	-	199,517	199,517
Student activities	-	-	-	212,707	212,707
School infrastructure	-	-	3,417,605	-	3,417,605
Physical plant and equipment	-	-	57,724	-	57,724
Unassigned	(890,644)	-	-	-	(890,644)
Total fund balances	(714,518)	603,530	4,051,449	412,224	4,352,685
Total liabilities and fund balances	\$ 7,224,069	1,524,588	4,357,263	1,254,606	14,360,526

See notes to financial statements.

Exhibit D

**Winterset Community School District
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Assets
June 30, 2011**

Total fund balances of governmental funds (Exhibit C) \$ 4,352,685

***Amounts reported for governmental activities in the
Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 23,968,609

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (202,087)

Long-term liabilities, including bonds payable, early retirement, compensated absences, bond discounts and premiums and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (18,389,021)

Net assets of governmental activities (Exhibit A) \$ 9,730,186

See notes to financial statements.

Exhibit E

Winterset Community School District
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year ended June 30, 2011

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Revenues:					
Local sources:					
Local tax	\$ 6,362,501	929,353	1,252,263	503,114	9,047,231
Tuition	591,391	-	-	-	591,391
Other	149,023	515	108,087	274,524	532,149
State sources	9,280,170	434	61	247	9,280,912
Federal sources	806,743	-	-	-	806,743
Total revenues	17,189,828	930,302	1,360,411	777,885	20,258,426
Expenditures:					
Current:					
Instruction:					
Regular	6,935,804	-	-	210,947	7,146,751
Special	2,789,079	-	-	-	2,789,079
Other	884,375	-	-	262,608	1,146,983
	10,609,258	-	-	473,555	11,082,813
Support services:					
Student	533,947	-	-	-	533,947
Instructional staff	616,560	-	-	-	616,560
Administration	1,428,016	-	-	17,346	1,445,362
Operation and maintenance of plant	1,337,391	-	-	131,100	1,468,491
Transportation	583,622	-	102,953	32,672	719,247
	4,499,536	-	102,953	181,118	4,783,607
Other expenditures:					
Facilities acquisition	-	-	5,255,880	-	5,255,880
Long-term debt:					
Principal	-	450,000	-	-	450,000
Interest	-	770,168	-	-	770,168
Fiscal charges	-	900	750	-	1,650
AEA flowthrough	669,527	-	-	-	669,527
	669,527	1,221,068	5,256,630	-	7,147,225
Total expenditures	15,778,321	1,221,068	5,359,583	654,673	23,013,645
Excess (deficiency) of revenues over (under) expenditures	1,411,507	(290,766)	(3,999,172)	123,212	(2,755,219)

Exhibit E

Winterset Community School District
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year ended June 30, 2011

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Other financing sources (uses):					
Proceeds from sale of assets	2,368	-	-	-	2,368
Operating transfers in	-	370,488	-	-	370,488
Operating transfers out	-	-	(370,488)	-	(370,488)
Total other financing sources (uses)	2,368	370,488	(370,488)	-	2,368
Net change in fund balances	1,413,875	79,722	(4,369,660)	123,212	(2,752,851)
Fund balances beginning of year, as restated	(2,128,393)	523,808	8,421,109	289,012	7,105,536
Fund balances end of year	\$ (714,518)	603,530	4,051,449	412,224	4,352,685

See notes to financial statements.

Winterset Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds to the Statement of Activities
Year ended June 30, 2011

Net change in fund balances - total governmental funds (Exhibit E) **\$ (2,752,851)**

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 4,619,364	
Depreciation expense	<u>(544,766)</u>	4,074,598

Proceeds from issuing long-term liabilities provide current financial resources to government funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. The amounts of long-term liabilities issued and repaid are as follows:

Issued		
Repaid	450,000	
Amortization of premiums and bond issuance costs	<u>(8,797)</u>	441,203

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

44,560

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	56,164	
Compensated absences	15,236	
Other postemployment benefits	<u>(83,000)</u>	(11,600)

Change in net assets of governmental activities (Exhibit B) **\$ 1,795,910**

See notes to financial statements.

Winterset Community School District
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Non-major Enterprise Fund
Assets	
Current assets:	
Cash and investments	\$ 205,374
Receivables:	
Accounts	16,335
Inventories	8,199
Total current assets	<u>229,908</u>
Noncurrent assets:	
Property and equipment:	
Machinery and equipment	265,276
Accumulated depreciation	<u>(253,395)</u>
Total noncurrent assets	<u>11,881</u>
Total assets	<u><u>\$ 241,789</u></u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 108
Unearned revenue	<u>13,567</u>
Total liabilities	<u>13,675</u>
Net Assets	
Invested in capital assets, net of related debt	11,881
Unrestricted	<u>216,233</u>
Total net assets	<u>228,114</u>
Total liabilities and net assets	<u><u>\$ 241,789</u></u>

See notes to financial statements.

Exhibit H

Winterset Community School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2011

	Non-major Enterprise Fund
Operating revenue:	
Local sources:	
Other local sources:	
Food service sales	\$ 384,078
Other operating revenue	136,417
Total operating revenues	<u>520,495</u>
Operating expenses:	
Instructional programs:	
Support services:	
Services	38,048
Supplies	98,369
	<u>136,417</u>
Non-instructional programs:	
Food services operations:	
Services	293,941
Supplies	399,776
Depreciation	2,283
	<u>696,000</u>
Total operating expenses	<u>832,417</u>
Operating loss	(311,922)
Non-operating revenue:	
Interest on investments	202
State lunch and breakfast program claims	7,059
National School Lunch Program	262,210
School Breakfast Program	42,093
Federal food commodities revenue	54,601
Total non-operating revenues	<u>366,165</u>
Net income	54,243
Net assets beginning of year	<u>173,871</u>
Net assets end of year	<u>\$ 228,114</u>

See accompanying independent auditor's report.

Exhibit I

**Winterset Community School District
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2011**

	Non-major Enterprise Funds
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 420,359
Cash received from miscellaneous operating activities	136,417
Cash payments to employees for services	(160)
Cash payments to suppliers for goods or services	(774,839)
Net cash used by operating activities	(218,223)
Cash flows from non-capital financing activities:	
State grants received	7,059
Federal grants received	304,303
Net cash provided by non-capital financing activities	311,362
Cash flows from investing activities:	
Interest on investments	202
Net increase in cash and cash equivalents	93,341
Cash and cash equivalents at beginning of year	112,033
Cash and cash equivalents at end of year	\$ 205,374
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (311,922)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities received	54,601
Depreciation	2,283
Decrease in accounts receivable	37,133
Decrease in inventories	1,187
(Decrease) in accounts payable	(493)
(Decrease) in salaries and benefits payable	(161)
(Decrease) in unearned revenue	(851)
Net cash used by operating activities	\$ (218,223)
Reconciliation of cash and cash equivalents at year end to specific assets included on Statement of Net Assets:	
Current assets:	
Cash and investments	\$ 205,374
Cash and cash equivalents at year end	\$ 205,374

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received federal commodities valued at \$54,601.

See notes to financial statements.

Winterset Community School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Current assets:		
Cash and pooled investments	\$ 205,445	34,786
Accounts receivable	-	7,142
Total assets	205,445	41,928
Liabilities		
Current liabilities:		
Salary and benefits payable	-	3,956
Accounts payable	-	37,972
Total liabilities	-	41,928
Net assets		
Held in trust for scholarships and special projects	205,445	-
Total net assets	\$ 205,445	-

See notes to financial statements.

Exhibit K

Winterset Community School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2011

	Private Purpose Trust	Scholarship
Additions:		
Local sources:		
Contributions and donations	\$	7,900
Interest		2,141
Total additions		10,041
Deductions:		
Instruction:		
Services		27,857
Change in net assets		(17,816)
Net assets beginning of year		223,261
Net assets end of year	\$	205,445

See notes to financial statements.

(1) Summary of Significant Accounting Policies

Winterset Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. The geographic area served includes the City of Winterset, Iowa. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Winterset Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Winterset Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Madison County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

Fund accounting - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/net assets, revenues and expenditures or expenses, as appropriate. The District has the following funds:

Governmental Fund Types: Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund: The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

Debt Service Fund: The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

Proprietary Fund Types: Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The following enterprise funds of the District are considered non-major:

Nutrition Services: This fund accounts for transactions related to the school lunch, breakfast and summer food programs authorized by Iowa Code 283A.

Student Construction: This fund accounts for transactions related to the Student Construction program.

Fiduciary Fund Types: Fiduciary funds account for assets held by the District in a trustee or agency capacity for the benefit of others and cannot be used to support District activities. The District has the following fiduciary fund types:

Private Purpose Trust Fund: These funds account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

Agency Fund: These funds account for assets held by the District as an agency for individuals and private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expense when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the Government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred and Unearned Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as the succeeding year's property tax and income surtax receivable.

Unearned revenue on the Statement of Net Assets consists of unspent grant proceeds as well as the succeeding year's property tax and income surtax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Nondisposable - Amounts not available for expenditure.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures exceeded the amounts budgeted in the other expenditures functional area.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments as follows:

Farmers & Merchants State Bank Certificates of Deposit	\$	160,000
Exchange State Bank Certificate of Deposit		1,097
Union State Bank Certificate of Deposit		2,037
Iowa Schools Joint Investment Trust		
Diversified portfolio (amortized cost)		4,159,500
	\$	<u>4,322,634</u>

At June 30, 2011, the District had investments in the Iowa School Joint Investment Trust Direct government Obligations Portfolio which are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 370,488

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) **Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-2010B warrants was 4.5% and the interest rate on the 2010-2011A and 2010-2011B warrants was 2.0%. A summary of the District's ISCAP activity for the year ended June 30, 2011 is as follows:

Winterset Community School District
Notes to Financial Statements
June 30, 2011

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2009-10B	\$ 685,000	-	685,000	-
2010-11A	-	3,835,000	3,835,000	-
2010-11B	-	2,670,000	2,670,000	-
	<u>\$ 685,000</u>	<u>6,505,000</u>	<u>7,190,000</u>	<u>-</u>

During the year ended June 30, 2011, the District paid \$31,404 of interest on the ISCAP warrants.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 457,901	-	-	457,901
Construction in progress	10,919,630	4,238,097	2,011,445	13,146,282
Total capital assets not being depreciated	<u>11,377,531</u>	<u>4,238,097</u>	<u>2,011,445</u>	<u>13,604,183</u>
Capital assets being depreciated:				
Buildings	12,441,947	2,244,382	-	14,686,329
Land improvements	1,926,919	-	-	1,926,919
Machinery and equipment	2,725,892	148,330	-	2,874,222
Total capital assets being depreciated	<u>17,094,758</u>	<u>2,392,712</u>	<u>-</u>	<u>19,487,470</u>
Less accumulated depreciation for:				
Buildings	5,639,930	289,948	-	5,929,878
Land improvements	717,705	92,761	-	810,466
Machinery and equipment	2,220,643	162,057	-	2,382,700
Total accumulated depreciation	<u>8,578,278</u>	<u>544,766</u>	<u>-</u>	<u>9,123,044</u>
Total capital assets being depreciated, net	<u>8,516,480</u>	<u>1,847,946</u>	<u>-</u>	<u>10,364,426</u>
Governmental activities capital assets, net	<u>\$ 19,894,011</u>	<u>6,086,043</u>	<u>2,011,445</u>	<u>23,968,609</u>
Business type activities:				
Machinery and equipment	\$ 265,276	-	-	265,276
Less accumulated depreciation	251,112	2,283	-	253,395
Business type activities capital assets, net	<u>\$ 14,164</u>	<u>(2,283)</u>	<u>-</u>	<u>11,881</u>

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular

\$ 301,166

Other

107,200

Support services:

Administration

1,418

Operation and maintenance of plant

27,080

Transportation

107,902

Total depreciation expense - governmental activities

\$ 544,766

Business type activities:

Food services

\$ 2,283

(6) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 11,760,000	-	450,000	11,310,000	350,000
Revenue bonds	6,325,000	-	-	6,325,000	120,000
Early retirement	418,023	206,446	241,660	382,809	93,640
Compensated absences	100,620	-	15,236	85,384	85,384
Net OPEB liability	408,000	83,000	-	491,000	-
	<u>\$ 19,011,643</u>	<u>289,446</u>	<u>706,896</u>	<u>18,594,193</u>	<u>649,024</u>

General Obligation Bonds

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Bond Issue of July 1, 2008				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2012	3.75%	\$ 350,000	340,118	690,118
2013	3.75%	360,000	326,993	686,993
2014	3.50%	380,000	313,493	693,493
2015	3.50%	395,000	300,193	695,193
2016	5.00%	410,000	286,368	696,368
2017	5.00%	430,000	265,867	695,867
2018	5.00%	445,000	244,368	689,368
2019	3.75%	465,000	222,118	687,118
2020	3.80%	485,000	204,680	689,680
2021	3.85%	505,000	186,250	691,250
2022	3.90%	525,000	166,808	691,808
2023	3.95%	545,000	146,333	691,333
2024	4.00%	565,000	124,805	689,805
2025	4.05%	590,000	102,205	692,205
2026	4.10%	610,000	78,310	688,310
2027	4.10%	635,000	53,300	688,300
2028	4.10%	665,000	27,265	692,265
Total		<u>\$ 8,360,000</u>	<u>3,389,471</u>	<u>11,749,471</u>

Winterset Community School District
Notes to Financial Statements
June 30, 2011

Bond Issue of November 1, 2009				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2012	3.75%	\$ 110,000	120,940	230,940
2013	3.75%	115,000	116,815	231,815
2014	3.75%	120,000	112,503	232,503
2015	3.75%	125,000	108,002	233,002
2016	4.00%	130,000	103,315	233,315
2017	4.00%	135,000	98,115	233,115
2018	4.00%	140,000	92,715	232,715
2019	4.00%	150,000	87,115	237,115
2020	4.00%	155,000	81,115	236,115
2021	4.00%	160,000	74,915	234,915
2022	4.05%	170,000	68,515	238,515
2023	4.05%	180,000	61,630	241,630
2024	4.10%	185,000	54,340	239,340
2025	4.10%	195,000	46,755	241,755
2026	4.30%	205,000	38,760	243,760
2027	4.30%	215,000	29,945	244,945
2028	4.50%	225,000	20,700	245,700
2029	4.50%	235,000	10,575	245,575
Total		\$ 2,950,000	1,326,770	4,276,770

Revenue Bonds

Details of the District's June 30, 2011 local option sales and services tax revenue bonded indebtedness are as follows:

Bond Issue of November 1, 2009				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2012	3.00%	\$ 120,000	248,688	368,688
2013	3.00%	175,000	244,263	419,263
2014	3.00%	185,000	238,863	423,863
2015	3.00%	240,000	232,488	472,488
2016	3.00%	250,000	225,138	475,138
2017	3.00%	260,000	217,488	477,488
2018	3.25%	270,000	209,200	479,200
2019	3.50%	280,000	199,913	479,913
2020	3.65%	290,000	189,720	479,720
2021	3.75%	305,000	178,709	483,709
2022	3.90%	320,000	166,750	486,750
2023	4.00%	335,000	153,810	488,810
2024	4.10%	355,000	139,833	494,833
2025	4.25%	370,000	124,693	494,693
2026	4.35%	390,000	108,348	498,348
2027	4.40%	410,000	90,845	500,845
2028	4.55%	435,000	72,038	507,038
2029	4.60%	455,000	51,785	506,785
2030	4.65-4.75%	880,000	30,160	910,160
Total		\$ 6,325,000	3,122,726	9,447,726

The District has pledged statewide sales, services and use tax revenues to repay the \$6,325,000 bonds issued in November, 2009. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the notes is \$9,447,726. For the current year, no principal was paid on the bonds and \$292,235 of interest was paid.

Total statewide sales, services and use tax revenues were \$1,121,568.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$165,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be age fifty-five to sixty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 50% of the employee's salary calculated by using the salary in effect the last year of the employee's employment with the school district. Early retirement benefits paid during the year ended June 30, 2011, totaled \$110,604 and were paid by the Special Revenue, Management Levy Fund.

The District has chosen to include three months as a current liability for early retirement in the governmental financial statements. The government-wide financial statements include twelve months as a current liability for early retirement.

(7) Other Post-Employment Benefits (OPEB)

Plan Description - The District operates a retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 164 active and 8 retired members in the plan. Participants must be age 55 or older at retirement and must have been employed full time by the District for a minimum of 10 consecutive years prior to the retirement year.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Winterset Community School District
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June 30, 2011

Annual required contribution	\$ 147,000
Interest on net OPEB obligation	18,000
Annual OPEB cost	165,000
Contributions made	(82,000)
Increase in net OPEB obligation	83,000
Net OPEB obligation beginning of year	408,000
Net OPEB obligation end of year	\$ 491,000

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

The required contribution is based on projected pay-as-you-go financing. For the year ended June 30, 2011, the District contributed \$82,000. Retiree and active members receiving benefits contributed \$34,000 through their required contribution for single and family health coverage combined, depending on which of the two plans offered by the District the employee participated in.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 309,000	33.98%	\$ 408,000
June 30, 2011	165,000	49.70%	491,000

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$1,144,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,144,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$9,366,264, and the ratio of the UAAL to covered payroll was 12.2%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2010 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Health Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2009 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2009.

Projected claim costs of the medical plan are \$736 per month for retirees who have not attained age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$738,745, \$753,677, and \$702,023, respectively, equal to the required contributions for each year.

(9) Risk Management

Winterset Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$669,527 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Construction Commitment

The District entered into contracts totaling \$14,645,038 for the construction of new buildings and improvements. As of June 30, 2011, costs of \$13,146,282 had been incurred against the contracts. The balance of \$1,498,756 remaining at June 30, 2011 will be paid as work on the projects progresses.

Project	Projected Cost	Costs Incurred
Middle School	\$ 11,117,963	9,767,678
High School addition	3,341,375	3,229,881
Academy roof	185,700	148,723
	<u>\$ 14,645,038</u>	<u>13,146,282</u>

(12) Operating Leases

The District entered into a two year and six month agreement which expired April 1, 2011 for the lease of its administrative offices. The total minimum lease commitment under the agreement is as follows:

The total lease expense for the year ended June 30, 2011 was \$28,800.

(13) Accounting Change/Restatement

The total beginning net assets of governmental activities fund balance and the General Fund beginning balance were decreased by \$20,624 due to a reallocation of intergovernmental receivables.

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 8,090,896	330,213
Change in fund type classification per implementation of	330,213	(330,213)
GASB Statement No. 54 Balances July 1, 2010, as restated	<u>\$ 8,421,109</u>	<u>-</u>

(14) Contingency

The District is involved in legal action regarding certain negligence claims. At this time any potential settlement amount is not believed to be material to the financial statements and a loss amount has not been accrued.

Required Supplementary Information

Winterset Community School District
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances
Budget and Actual - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year Ended June 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
				Original	Final	
Revenues:						
Local sources	\$ 10,170,771	520,697	10,691,468	10,609,403	10,609,403	82,065
Intermediate sources	-	-	-	1,000	1,000	(1,000)
State sources	9,280,912	7,059	9,287,971	10,173,494	10,173,494	(885,523)
Federal sources	806,743	358,904	1,165,647	484,000	484,000	681,647
Total revenues	20,258,426	886,660	21,145,086	21,267,897	21,267,897	(122,811)
Expenditures:						
Instruction	11,082,813	136,417	11,219,230	12,060,815	12,060,815	841,585
Support services	4,783,607	-	4,783,607	4,780,500	7,000,000	2,216,393
Noninstructional programs	-	696,000	696,000	970,962	970,962	274,962
Other expenditures	7,147,225	-	7,147,225	5,922,987	5,922,987	(1,224,238)
Total expenditures	23,013,645	832,417	23,846,062	23,735,264	25,954,764	2,108,702
Excess (deficiency) of revenues over (under) expenditures	(2,755,219)	54,243	(2,700,976)	(2,467,367)	(4,686,867)	1,985,891
Other financing sources (uses), net	2,368	-	2,368	(77,453)	(77,453)	79,821
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(2,752,851)	54,243	(2,698,608)	(2,544,820)	(4,764,320)	2,065,712
Balances beginning of year, as restated	7,105,536	173,871	7,279,407	6,019,425	6,019,425	1,259,982
Balances end of year	\$ 4,352,685	228,114	4,580,799	3,474,605	1,255,105	3,325,694

See accompanying independent auditor's report.

Winterset Community School District
Notes to Required Supplementary Information - Budgetary Reporting
Year Ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with *Governmental Accounting Standards* Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, expenditures exceeded the amounts budgeted in the other expenditures functional area.

Winterset Community School District
Schedule of Funding Progress for the Retiree Health Plan
Required Supplementary Information

Year ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$ -	1,758,000	1,758,000	0.0%	\$ 9,451,000	18.6%
2010	July 1, 2008	-	1,758,000	1,758,000	0.0%	9,881,398	17.8%
2011	July 1, 2010	-	1,144,000	1,144,000	0.0%	9,366,264	12.2%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Other Supplementary Information

Schedule 1

Winterset Community School District
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2011

Special Revenue Funds			
	Management	Student Activity	Total
Assets			
Cash and pooled investments	\$ 239,184	207,130	446,314
Receivables:			
Accounts	-	6,247	6,247
Property tax:			
Current year delinquent	7,153	-	7,153
Succeeding year	794,892	-	794,892
Total assets	\$ 1,041,229	213,377	1,254,606
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ -	425	425
Due to other funds	-	245	245
Early retirement	46,820	-	46,820
Deferred revenue:			
Succeeding year property tax	794,892	-	794,892
Total liabilities	841,712	670	842,382
Fund balances:			
Restricted for:			
Management levy purposes	199,517	-	199,517
Student activities	-	212,707	212,707
Total fund balances	199,517	212,707	412,224
Total liabilities and fund equity	\$ 1,041,229	213,377	1,254,606

See accompanying independent auditor's report.

Schedule 2

Winterset Community School District**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances****Non-major Governmental Funds****Year ended June 30, 2011**

	Special Revenue Funds		
	Management	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 503,114	-	503,114
Other	979	273,545	274,524
State sources	247	-	247
Total revenues	504,340	273,545	777,885
Expenditures:			
Current:			
Instruction:			
Regular	210,947	-	210,947
Other	-	262,608	262,608
Support Services:			
Administration	17,346	-	17,346
Operation and maintenance of plant	131,100	-	131,100
Student transportation:	32,672	-	32,672
Total expenditures	392,065	262,608	654,673
Excess of revenues over expenditures	112,275	10,937	123,212
Fund balances beginning of year, as restated	87,242	201,770	289,012
Fund balances end of year	\$ 199,517	212,707	412,224

See accompanying independent auditor's report.

Winterset Community School District
Combining Balance Sheet
Capital Project Accounts
June 30, 2011

		Capital Projects			
		Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects	Total
Assets					
Cash and pooled investments		\$ 2,869,927	55,925	653,317	3,579,169
Receivables:					
Property tax:					
Current year delinquent		-	1,799	-	1,799
Succeeding year		-	135,772	-	135,772
Intergovernmental		585,723	-	-	585,723
Residential building lots		-	54,800	-	54,800
Total assets		\$ 3,455,650	248,296	653,317	4,357,263
Liabilities and Fund Balances					
Liabilities:					
Accounts payable		\$ 165,917	-	4,125	170,042
Deferred revenue:					
Succeeding year property tax		-	135,772	-	135,772
Total liabilities		165,917	135,772	4,125	305,814
Fund balances:					
Nonspendable for:					
Inventory		-	54,800	-	54,800
Restricted for:					
Debt service		521,320	-	-	521,320
School infrastructure		2,768,413	-	649,192	3,417,605
Physical plant and equipment		-	57,724	-	57,724
Total fund balances		3,289,733	112,524	649,192	4,051,449
Total liabilities and fund balances		\$ 3,455,650	248,296	653,317	4,357,263

See accompanying independent auditor's report.

Schedule 4

Winterset Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts
Year ended June 30, 2011

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects	Total
Revenues:				
Local sources:				
Local tax	\$ 1,121,568	130,695	-	1,252,263
Other	59,102	270	48,715	108,087
State sources	-	61	-	61
Total revenues	1,180,670	131,026	48,715	1,360,411
Expenditures:				
Current:				
Support Services:				
Transportation	102,953	-	-	102,953
Other expenditures:				
Facilities acquisition	3,041,440	348,715	1,865,725	5,255,880
Debt service	750	-	-	750
Total expenditures	3,145,143	348,715	1,865,725	5,359,583
Deficiency of revenues under expenditures	(1,964,473)	(217,689)	(1,817,010)	(3,999,172)
Other financing uses:				
Operating transfers out	(370,488)	-	-	(370,488)
Total other financing uses	(370,488)	-	-	(370,488)
Deficiency of revenues and other financing sources under expenditures and other financing uses	(2,334,961)	(217,689)	(1,817,010)	(4,369,660)
Fund balances beginning of year, as restated	5,624,694	330,213	2,466,202	8,421,109
Fund balances end of year	\$ 3,289,733	112,524	649,192	4,051,449

See accompanying independent auditor's report.

Schedule 5

Winterset Community School District
Combining Statement of Net Assets
Proprietary Funds
June 30, 2011

	Enterprise Funds		
	School Nutrition	Student Construction	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 205,374	-	205,374
Accounts receivable	16,335	-	16,335
Inventories	8,199	-	8,199
Prepaid expense	-	-	-
Total current assets	229,908	-	229,908
Non-current assets:			
Machinery and equipment	265,276	-	265,276
Accumulated depreciation	(253,395)	-	(253,395)
Total non-current assets	11,881	-	11,881
Total assets	241,789	-	241,789
Liabilities			
Current liabilities:			
Accounts payable	108	-	108
Unearned revenue	13,567	-	13,567
Total current liabilities	13,675	-	13,675
Net assets			
Invested in capital assets	11,881	-	11,881
Unrestricted	216,233	-	216,233
Total net assets	\$ 228,114	-	228,114

See accompanying independent auditor's report.

Schedule 6

Winterset Community School District
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year ended June 30, 2011

	Enterprise Funds		
	School Nutrition	Student Construction	Total
Operating revenue:			
Local sources:			
Other local sources:			
Food service sales	\$ 384,078	-	384,078
Other operating revenue		136,417	136,417
Total operating revenues	384,078	136,417	520,495
Operating expenses:			
Instructional programs:			
Support services:			
Services	-	38,048	38,048
Supplies	-	98,369	98,369
	-	136,417	136,417
Non-instructional programs:			
Food services operations:			
Services	293,941	-	293,941
Supplies	399,776	-	399,776
Depreciation	2,283	-	2,283
	696,000	-	696,000
Total operating expenses	696,000	136,417	832,417
Operating loss	(311,922)	-	(311,922)
Non-operating revenue:			
Interest on investments	202	-	202
State lunch and breakfast program claims	7,059	-	7,059
National School Lunch Program	262,210	-	262,210
School Breakfast Program	42,093	-	42,093
Federal food commodities revenue	54,601	-	54,601
Total non-operating revenues	366,165	-	366,165
Net income	54,243	-	54,243
Net assets beginning of year	173,871	-	173,871
Net assets end of year	\$ 228,114	-	228,114

See accompanying independent auditor's report.

Winterset Community School District
Combining Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2011

	Enterprise Funds		
	School Nutrition	Student Construction	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 420,359	-	420,359
Cash received from miscellaneous operating activities	-	136,417	136,417
Cash payments to employees for services	(160)	-	(160)
Cash payments to suppliers for goods or services	(638,422)	(136,417)	(774,839)
Net cash used by financing activities	(218,223)	-	(218,223)
Cash flows from non-capital financing activities:			
State grants received	7,059	-	7,059
Federal grants received	304,303	-	304,303
Net cash provided by non-capital financing activities	311,362	-	311,362
Cash flows from investing activities:			
Interest on investments	202	-	202
Net increase in cash and cash equivalents	93,341	-	93,341
Cash and cash equivalents at beginning of year	112,033	-	112,033
Cash and cash equivalents at end of year	\$ 205,374	-	205,374
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (311,922)	-	(311,922)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Commodities received	54,601	-	54,601
Depreciation	2,283	-	2,283
Decrease in accounts receivable	37,133	-	37,133
Decrease in inventories	1,187	-	1,187
(Decrease) in accounts payable	(493)	-	(493)
(Decrease) in salaries and benefits payable	(161)	-	(161)
(Decrease) in unearned revenue	(851)	-	(851)
Net cash provided (used) by operating activities	\$ (218,223)	-	(218,223)
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:			
Current assets:			
Cash and investments	\$ 205,374	-	205,374
Cash and cash equivalents at year end	\$ 205,374	-	205,374

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received federal commodities valued at \$54,601.

See accompanying independent auditor's report.

Schedule 8

Winterset Community School District
Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund
Year ended June 30, 2011

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 31,743	42,779	39,736	34,786
Accounts receivable	6,457	7,142	6,457	7,142
Total assets	\$ 38,200	49,921	46,193	41,928
Liabilities				
Liabilities:				
Salary and benefits payable	\$ 2,837	3,956	2,837	3,956
Accounts payable	35,363	45,965	43,356	37,972
Total liabilities	\$ 38,200	49,921	46,193	41,928

See accompanying independent auditor's report.

Schedule 9

Winterset Community School District
Schedule of Changes in Individual Student Activity Accounts
Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elementary School:				
Interest	\$ -	5	-	5
Champs	2,209	-	2,104	105
PTO	26	-	26	-
Memory Book	1,892	2,833	3,185	1,540
Cheap and Keep	-	-	(1,041)	1,041
Middle School:				-
Interest	-	35	-	35
Band Resale	-	1,178	330	848
5th and 6th Grade	41	4,818	2,277	2,582
Husky Buck	155	148	-	303
Champs	9,106	30	278	8,858
Field Trips	615	-	39	576
Magazine Fund	-	7,282	(18,829)	26,111
Recorders	25	-	25	-
Yearbook	-	2,185	-	2,185
Junior High School:				-
Interest	-	26	-	26
Magazine Fund	46,513	10,439	40,231	16,721
Tech Projects	216	-	-	216
Supply Hut	6	-	-	6
Vocal	98	-	1	97
Band Resale	-	2,108	2,030	78
Activity Tickets	3,595	3,881	6,794	682
Uniform	5,106	-	1,000	4,106
Cross Country	115	178	15	278
Boys Basketball	-	827	827	-
Football Parents	-	1,428	797	631
Boys Track Club	3,041	527	779	2,789
Wrestling Club	-	6,915	6,915	-
Girls Basketball	-	766	766	-
Volleyball	-	2,316	2,316	-
Girls Track Club	1,336	792	874	1,254
Cheerleaders	1,235	-	-	1,235
Yearbook	3	1,719	-	1,722
Student Council	450	-	-	450
TSA	1,638	2,533	1,084	3,087
Troop Connection	-	710	625	85
High School:				
Activity Tickets	557	13,240	11,846	1,951
Interest	-	164	-	164
Champs	2,530	1,733	3,189	1,074
Concessions	462	13,985	14,447	-
Pop Machine	343	2,503	2,192	654
Play	-	2,892	2,892	-
Forensic	128	1,983	1,940	171
Vocal	5,099	4,247	6,220	3,126
Band Resale	1,101	1,469	1,177	1,393
Uniforms	3,743	2,815	5,169	1,389
Weightlifting	1,104	211	876	439
Coed Track	13,789	411	125	14,075

Winterset Community School District
Schedule of Changes in Individual Student Activity Accounts
Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Cross Country	2,632	1,320	1,322	2,630
Boys Basketball	2,398	5,207	5,663	1,942
Football Parents	8,007	17,414	19,927	5,494
Boys Soccer	2,573	7,549	5,704	4,418
Baseball	-	9,145	5,491	3,654
Boys Track Club	1,743	4,309	3,315	2,737
Golf	-	498	498	-
Boys Drill Team	-	210	-	210
Wrestling Club	4,631	9,688	7,925	6,394
Girls Basketball	4,276	5,835	8,394	1,717
Volleyball	1,548	5,655	6,696	507
Girls Soccer	3,513	13,652	13,283	3,882
Softball	1,954	10,033	8,307	3,680
Girls Track Club	1,040	2,139	1,725	1,454
Cheerleaders	1,984	12,173	10,468	3,689
Girls Golf	271	650	599	322
Drill Team	2,000	15,362	16,312	1,050
Class of 2011	4,778	110	1,635	3,253
Class of 2012	3,099	5,256	3,453	4,902
Class of 2013	1,425	1,607	189	2,843
Class of 2014	1,000	504	126	1,378
AFS	1,765	645	1,321	1,089
Boomerang	10,837	7,397	7,880	10,354
FBLA	1,484	6,475	6,896	1,063
FCCLA	3,555	652	525	3,682
MOC	1,020	480	-	1,500
NHS	-	518	199	319
Pep Club	6,970	3,889	4,014	6,845
Renaissance	1,252	-	-	1,252
Science Club	3,857	1,812	1,587	4,082
Student Council	4,748	2,693	1,570	5,871
TSA	992	39	540	491
WHS-TV	3,601	2,430	3,515	2,516
Y-Teen	3,428	103	429	3,102
FFA	1,469	675	338	1,806
Art Club	989	1,747	865	1,871
Spanish Club	458	-	-	458
JEL Club	196	822	511	507
Scuba	-	1,532	124	1,408
Ivy League	-	13,988	7,741	6,247
Totals	\$ 201,770	273,545	262,608	212,707

See accompanying independent auditor's report.

Winterset Community School District
Schedule of Revenues by Sources and Expenditures by Function
All Governmental Funds
For the Last Ten Years

	Modified Accrual Basis									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues:										
Local sources:										
Local tax	\$ 9,047,231	7,885,789	6,682,479	5,902,891	6,300,722	5,835,185	5,654,849	4,843,031	4,737,178	4,478,496
Tuition	591,391	538,865	556,899	620,456	520,618	485,156	386,039	435,217	403,430	307,450
Other	532,149	752,774	744,545	487,229	496,369	406,550	494,275	800,215	774,362	537,934
Intermediate sources	-	-	868	-	18,010	-	-	1,431	3,422	-
State sources	9,280,912	7,970,449	9,069,606	8,805,764	8,160,837	7,818,846	7,007,351	6,528,915	6,603,697	6,277,125
Federal sources	806,743	1,486,818	534,599	325,030	310,585	332,412	321,482	376,857	290,180	276,510
Total	\$ 20,258,426	18,634,695	17,588,996	16,141,370	15,807,141	14,878,149	13,863,996	12,985,666	12,812,269	11,877,515
Expenditures:										
Instruction:										
Regular	\$ 7,146,751	6,463,818	6,538,800	-	5,595,747	5,055,208	4,948,992	4,573,554	4,473,533	4,554,800
Special	2,789,079	3,365,948	2,798,107	2,505,110	2,688,086	2,313,143	2,023,852	2,104,456	1,912,833	1,635,018
Other	1,146,983	1,134,170	1,767,816	1,497,926	1,058,067	1,316,851	1,328,124	924,385	991,563	908,389
Support services:										
Student	533,947	563,984	351,332	449,044	409,289	357,966	360,342	350,360	354,185	420,368
Instructional staff	616,560	753,321	556,792	628,644	680,880	504,394	372,882	335,889	330,199	356,480
Administration	1,445,362	1,556,146	1,854,842	1,282,634	1,195,341	1,110,165	1,069,181	1,055,372	1,048,812	1,069,712
Operation and maintenance of plant	1,468,491	1,522,965	1,501,165	1,470,629	1,299,559	1,345,656	1,125,081	1,194,716	1,049,166	1,097,359
Transportation	719,247	741,508	700,621	710,525	774,989	774,339	549,379	545,414	471,362	438,979
Central support	-	-	-	-	-	-	-	-	-	648
Non-instructional programs	-	13,714	11,793	8,654	8,796	11,651	9,236	8,089	7,375	5,683
Other expenditures:										
Facilities acquisition	5,255,880	9,903,836	3,287,459	665,627	612,179	124,997	314,833	284,342	463,481	919,045
Long-term debt:										
Principal	450,000	430,000	620,000	545,000	875,000	830,000	805,000	1,187,000	732,000	552,000
Interest and other charges	771,818	485,887	445,336	94,390	128,110	160,313	190,797	235,961	274,056	252,252
AEA flowthrough	669,527	663,689	600,552	562,800	522,435	488,789	445,626	432,742	454,395	452,591
Total	\$ 23,013,645	27,598,986	21,034,615	10,420,983	15,848,478	14,393,472	13,543,325	13,232,280	12,562,960	12,663,324

See accompanying independent auditor's report

Winterset Community School District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2011

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 11	\$ 42,093
National School Lunch Program	10.555	FY 11	316,811 *
			<u>358,904</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY 11	178,419
ARRA - Title I Grants to Local Education Agencies - Recovery Act	84.389	FY 11	52,993
			<u>231,412</u>
Vocational Education - Basic Grants to States	84.048	FY 11	<u>11,683</u>
Title III - English Language Acquisition	84.365	FY 11	<u>3,300</u>
Improving Teacher Quality State Grants	84.367	FY 11	<u>57,738</u>
Grants for State Assessments and Related Activities	84.369	FY 11	<u>11,057</u>
ARRA - State Fiscal Stabilization Fund(SFSF) Cluster Programs:			
Education State Grants, Recovery Act	84.394	FY 11	89,328
Government Services, Recovery Act	84.397	FY 11	79,677
			<u>169,005</u>
ARRA - Education Jobs Fund	84.410	FY 11	<u>135,000</u>
Area Education Agency (AEA 11):			
Special Education - Grants to States	84.027	FY 11	<u>88,586</u>
Total			<u>\$ 1,066,685</u>

* - Includes \$54,601 of non-cash awards

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Winterset Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



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CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of Winterset Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Winterset Community School District, Winterset, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents and have issued our report thereon dated November 21, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Winterset Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Winterset Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Winterset Community School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Winterset Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Winterset Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Winterset Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Winterset Community School District and other parties to whom Winterset Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Winterset Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Van Maanen, Sietstra & Meyer, PC

Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

November 21, 2011



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CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of Winterset Community School District:

Compliance

We have audited Winterset Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Winterset Community School District's major federal programs for the year ended June 30, 2011. Winterset Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Winterset Community School District's management. Our responsibility is to express an opinion on Winterset Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Winterset Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Winterset Community School District's compliance with those requirements.

In our opinion, Winterset Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Winterset Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Winterset Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Winterset Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Winterset Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Winterset Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Winterset Community School District and other parties to whom Winterset Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Van Maanen, Sietstra & Meyer, PC

Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

November 21, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) Major programs were as follows:
 - CFDA Number 84.410 – ARRA – Education Jobs Fund
 - Clustered Programs:
 - CFDA Number 84.010 – Title I Grants to Local Education Agencies
 - CFDA Number 84.389 – ARRA – Title I Grants to Local Education Agencies – Recovery Act
 - Clustered programs:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - Clustered programs:
 - CFDA Number 84.394 – ARRA – Education State Grants, Recovery Act
 - CFDA Number 84.397 – ARRA – Government Services
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) Winterset Community School District did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-11 Certified Budget - Expenditures for the year ended June 30, 2011, exceeded the certified budget amount in the other expenditures functional area.
- Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.
- Conclusion - Response accepted.
- IV-B-11 Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-11 Business Transactions - No business transactions between the District and District officials or employees were noted.
- IV-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- IV-F-11 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-11 Certified Enrollment – A variance in the basic enrollment data certified to the Iowa Department of Education was noted.
- Recommendation – The certified enrollment data should be corrected.
- Response – We will attempt to correct certified enrollment errors in the future.
- Conclusion – Response accepted.
- IV-H-11 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-11 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

Winterset Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2011

IV-K-11 Deficit Balances – The General Fund had a deficit balance at June 30, 2011.

Recommendation – The District should continue to investigate alternatives to eliminate this deficit in order to return this fund to a sound financial condition.

Response - The District is continuing to investigate alternatives to eliminate this deficit in the General Fund at the end of the fiscal year.

Conclusion – Response accepted.

IV-L-11 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	5,624,694
Revenues/transfers in:			
Sales tax revenues	\$	1,121,568	
Other local revenues		59,102	1,180,670
			<u>6,805,364</u>
Expenditures/transfers out:			
School infrastructure construction		3,041,440	
Equipment		102,953	
Other		750	
Transfers to other funds:			
Debt service funds		370,488	3,515,631
			<u>3,289,733</u>
Ending balance		\$	<u>3,289,733</u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 2.96840	<u>1,121,567</u>